ALGONQUIN
FORESTRY AUTHORITY
Maintaining the Balance since 1975

Annual Report
2014 - 2015

Fortieth Annual Report
2014 – 2015

Ontario

TO HER HONOUR

The Lieutenant Governor
of the Province of Ontario

MAY IT PLEASE YOUR HONOUR

The undersigned begs respectfully to present to Your Honour the Annual report of the Algonquin Forestry Authority for the year beginning April 1, 2014 and ending March 31, 2015.

The Honourable Bill Mauro
Minister

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ALGONQUIN
FORESTRY AUTHORITY

THE HONOURABLE BILL MAURO
Minister of Natural Resources and Forestry

Honourable Sir:

I have the honour to submit to you the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 2014 and ending March 31, 2015.

DAVID STEWART
Chair

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ROLE AND MANDATE

The Algonquin Forestry Authority (AFA) operates under the Algonquin Forestry Authority Act, R.S.O. 1990. The Authority is a self-financing operational enterprise Crown agency. The Minister of Natural Resources and Forestry is responsible for the administration of the Algonquin Forestry Authority Act. This legislation sets out the management, objectives and powers of the AFA.

- *Ensuring the sustainable management of Algonquin's forests*
- *Planning of all forestry operations*
- *Harvesting and distribution of wood products to mills*
- *Monitoring forestry operations*

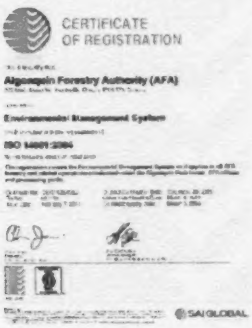
All forestry activities are carried out under the direction of a Ministry of Natural Resources and Forestry's approved Forest Management Plan (FMP). These activities are subject to an Independent Forest Audit every five years and the audit results are tabled in the Ontario Legislature and made available to the public. In addition, the Algonquin Park forest is certified to Canada's national forest certification standard CSA Z-809. This certification demonstrates the Authority's commitment to sustainable forest management and provides the public access to results from independent forest audits to defined standards.

A key component of the CSA Z-809 standard is the AFA's environmental management system (EMS). The EMS has been registered to the International Standards Organization (ISO) 14001 standard since 2001. Key components of the EMS are prevention of pollution, continual improvement and compliance with applicable laws and guidelines. AFA receives management direction from several different plans and legislation, but its Sustainable Forest Management (SFM) Policy guides its day-to-day activities.

AFA's commitment to SFM can be found in its Vision Statement:

To achieve the highest standards of sustainable forest management practices, in order to maintain Park values for future generations.

The Authority applies the principles of SFM to balance the public's concern for protecting Park values. Protection of recreation, fisheries, wildlife habitat and natural and cultural heritage values is of utmost importance while maintaining a supply of forest products to mills dependent on Park timber. Harvesting is carefully regulated to minimize impacts on other forest values. The Authority contracts out both harvesting and forest management work to companies from communities in the region. The timber harvested supports 12 mills in communities such as Huntsville, Whitney, Madawaska, Pembroke, Killaloe and Eganville. Another five to ten mills in the region receive periodic supplies.

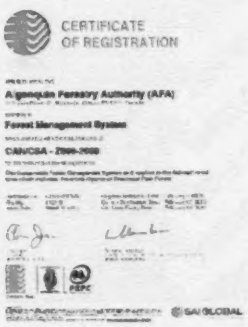

CERTIFICATE
OF REGISTRATION

Algonquin Forestry Authority (AFA)

Environmental Management System

ISO 14001:2004

SAI GLOBAL


CERTIFICATE
OF REGISTRATION

Algonquin Forestry Authority (AFA)

Forest Management System

CAN/CSA - Z809:2008

SAI GLOBAL

CHAIR'S MESSAGE

By David Stewart

I am pleased to present this Annual Report to inform you about the 2014-2015 operations of the Algonquin Forestry Authority (AFA). This report marks the end of AFA's 40th year of operations. Slow improvement has been experienced by the industry in Ontario and likewise, AFA has achieved some positive results. Demand for most forest products improved, although total volumes were down from the previous year due to a lack of contractor capacity and bad weather. The total volume harvested by AFA was down by 12% in 2014/15, compared to an improvement of 30% in the previous term. With US housing starts continuing to show signs of improvement, and the Canadian dollar weakening against the green-back we remain optimistic as we move forward with strategies to improve our productive capacity. The Board is satisfied with the financial statements in this annual report and that the AFA's mandate and Business Plan objectives have been met.

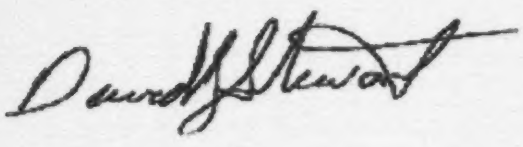
I am pleased to announce staff changes within the Authority during this term. Tom Dolan, R.P.F. has become Area Forester - Pembroke, while Martin Laflamme has attained the position of Woodlands Supervisor and Bob Coleman the position of Roads Supervisor. These are key positions within the Authority and the result of implementing succession planning strategies that are critical to the operation of AFA. An updated organization chart appears on page 11.

There have also been changes within our governing Board of Directors during the term of this Annual Report. Outgoing (literally and figuratively speaking) directors are David Sharpe, William Dickinson, Terry Mullin, William Atkinson and Don McCormick. I thank each of them for their dedication to the professional operation of the Board and for their guidance and insight on issues facing the agency, government and the forest industry. Business continuity is key to the Authority's success requiring directors with overlapping terms to share experiences and perspectives. The incumbent directors and myself are pleased to welcome newly appointed directors, Charles Lauer and John Pineau. See page 10 for a complete list of directors during this term.

During the year separate independent audits were completed on Finance and Environmental Performance. The Office of the Auditor General's financial report is provided herein. The AFA's Environmental Management System is registered to the ISO 14001 standard and the operations of AFA are certified to the CSA Z809 standard. I am pleased to report that all of these audits have also had successful outcomes.

The Authority will be celebrating 40 years of our role in the sustainable forest management of Algonquin Provincial Park at Logger's Day on Saturday July 25, 2015 and a special event planned for staff and alumni in September. Invitations have been sent out to government, industry and communities around Algonquin. We hope to see a good turnout as we review 180 years of Algonquin's contributions to society and celebrate the Authority's 40 years of successfully delivering its mandate and achieving Algonquin Provincial Park's multiple use objectives.

On behalf of the Board, I would like to congratulate all forestry contractors, their employees, and AFA staff for their part in meeting the Authority's objectives and for their continued dedication.



DESCRIPTION OF ACTIVITIES

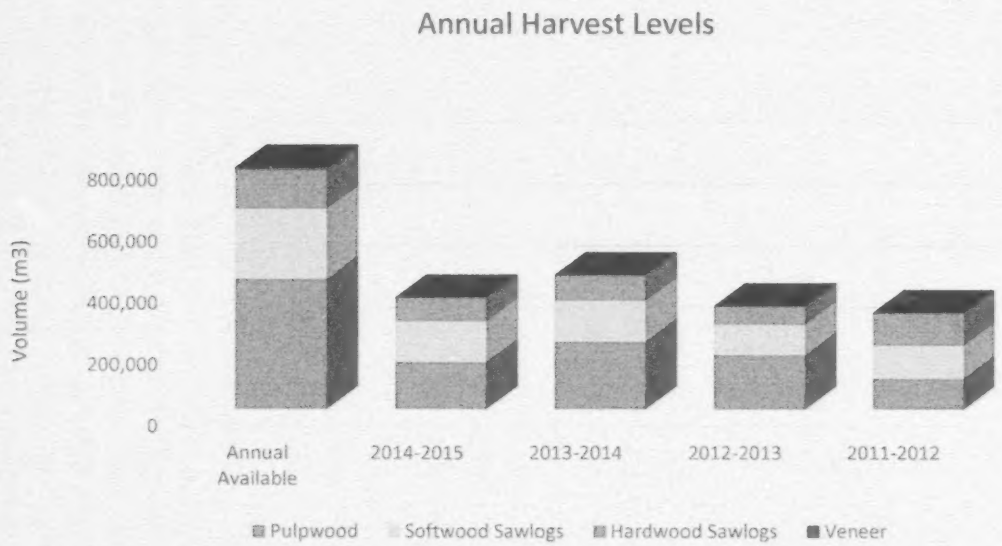
The activities of the Algonquin Forestry Authority are primarily harvesting and forest management. As the Authority is self-financing, it relies on sales of forest products to fund all aspects of its operations including forest management activities such as forest access and renewal operations. The next sections titled harvesting and forest management outline specific activities and a brief discussion of annual operational performance levels and target achievement. Targets discussed herein are set out in the agency's 2014/15 business planning document.

The approved forest management plan and AFA's sustainable forest management plan also set targets to which operational performance is measured and reported in separate reporting documents as required by the Crown Forest Sustainability Act (CFSA) and Canadian Standards Association (CSA) Z-809 standard requirements, respectively.

Harvesting

The approved 2010-2020 Forest Management Plan for the Algonquin Park Forest states that a sustainable annual harvest of 783,075 cubic metres (m3) is available from the forest. The 2014-2017 AFA Agency Business Plan set out a planned level of 500,000 m3 based on economic and operational factors. The 2014/15 harvest from the forest was 362,645 m3 (source: MNRF iTrees June 2015) which is well within the sustainable level that the Algonquin forest can provide, yet reflective of harvest levels in a slow economy. The harvest level was down 16% from the previous year. Inclement weather and an unanticipated shortage of workers and equipment to deliver our products also contributed to lower harvest levels. Volume harvested in 2014/15 is illustrated by product category in the following graph and is compared to the annual available harvest and the previous three years.

This year's harvest level was 72% of business planned levels. Financial results are related to the shortfall of volume achievement generally, but tempered by sales of higher value products that reduced shortfalls in revenue (see Financial Results page 9). The proportion of higher value products such as veneer and sawlogs compared to pulpwood was greater than forecasted (budgeted) and greater than the relative proportions achieved in the previous year, as displayed in the following chart. The forest management program achieved most targets having been sufficiently funded by the renewal fee portion of stumpage generated by the larger proportion of higher value products.



Demand for most forest products, especially red pine and poplar, improved this year over last, as the economy improved and our dollar weakened against the American dollar. The reopening of the Pembroke medium density fibreboard plant and increasing demand for firewood and logging and milling residues have improved the situation, thus bolstering demand. Going forward, the economy and housing markets on both sides of the border are expected to continue the slow recovery, and as such, the AFA is optimistic for an even better fiscal year in 2015/16. AFA is implementing measures to improve productive capacity in response to increasing demands for forest products in all areas and to improve achievement of objectives. The Authority's 2015-2018 Agency Business Plan identifies strategies to develop capacity within existing contractors, secure new contractors and provide additional effort and resources to advanced operational planning and staging of operations.

The Authority retains a professional and responsible work force to achieve its objectives and as such actively promotes safe work practices. W. F. Dombroski & Sons Logging Contractors of Barry's Bay, ON was awarded the annual Safety Award for the 2014/15 season, a repeat performance from the previous year. This award is presented annually to the Algonquin Park logging contractor maintaining the best safety record. In addition to the safety award, AFA and the contractors administer an "Environmental and Safety Award System" that recognizes positive work practices. Based on the point system, the top logging crews and operators on each contractor operation receive rewards. The hauling and road construction sectors are also recognized for their contributions to the overall results.

Forest Management

The approved 2010-2020 Forest Management Plan (FMP) for the Algonquin Park Forest details the goals, objectives and strategies for the ten-year period and outlines specific operations for the first 5- year term for 2010-2015. Forest management activities in Algonquin Park must follow FMP prescriptions. Targets set out in the FMP are further refined in the Agency Business Plan as required. Forest management activities such as prescription setting and tree marking occur in advance of harvesting at a level sufficient to provide for planned harvest operations, while forest renewal activities that follow the harvest, such as site preparation and tending reflect actual harvest levels in preceding years and subsequent actual renewal treatment needs. The partial harvesting systems predominantly used in Algonquin Park rely heavily on natural regeneration. To date, this has been largely successful.

Tree Marking

To implement forest management systems in Algonquin Park it is first necessary to designate which trees are to be harvested and which ones are to be retained, while protecting other resource values. This is done by skilled tree markers who follow the prescriptions prepared by Registered Professional Foresters in the Forest Management Plan. Tree marking was carried out on 7,972hectares in 2014/15 representing 90% of business planned levels and was more than sufficient to provide for the actual area harvested and advanced marking for the upcoming year.

Site Preparation and Tree Planting

Trees planted in Algonquin Park are grown from seed sources appropriate for planting within the Park. Seed collection of 40 hectolitres is 133% of business planned levels. A total of 563,000 tree seedlings were planted on 551 hectares in 2014/15 representing target achievement of 125% and 122%, respectively. This over-achievement is attributed to windstorm affected areas where renewal efforts were enhanced. Private nurseries are growing seedlings for planting in spring 2015 and 2016. About 382 hectares were site prepared for planting in future years, which although almost 40% below the planned target is reflective of site preparation and tree planting needed to ensure harvested areas successfully regenerate and grow. Most areas harvested regenerate naturally.

Tending and Stand Improvement

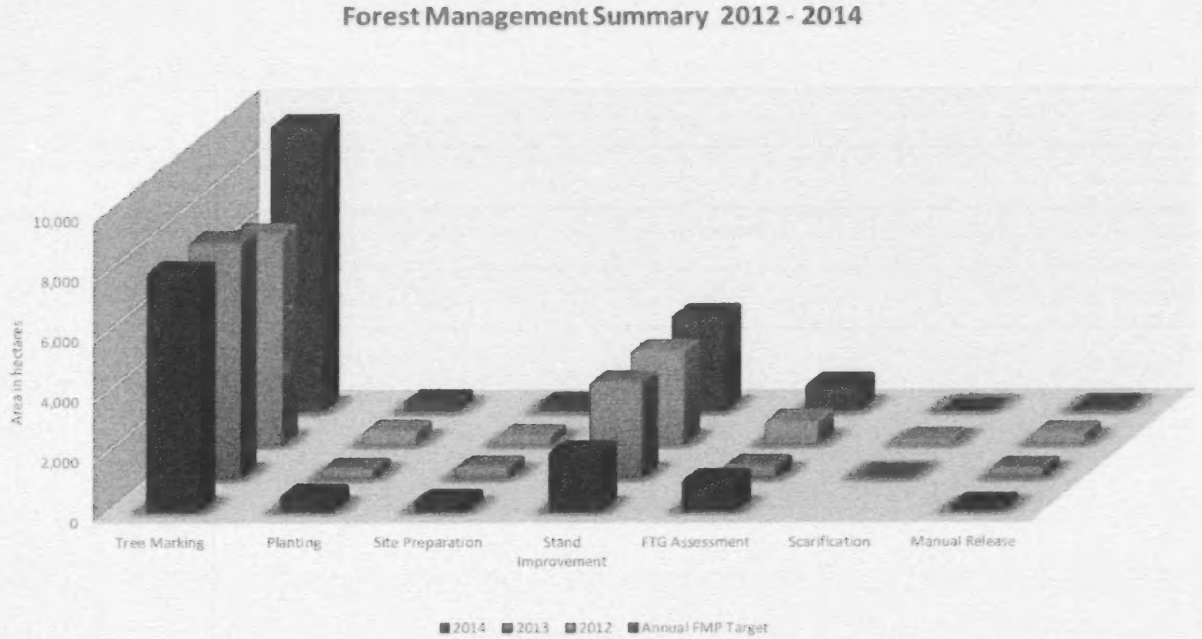
Manual tending was performed on 220 hectares to release established white pine and red pine regeneration from competing vegetation. A further 47 hectares of red pine and jack pine were pre-commercially thinned and 155 hectares of evenaged understory improvement work was completed in order to improve light conditions for regeneration establishment. This represents 70% of the tending target. Stand improvement was completed on 1,799 hectares to assist growth of residual trees and natural regeneration in areas managed under the selection system. We are not concerned that this is only 45% of business planned levels. Stand improvement is also carried out without the need for renewal account funding such as when firewood and pulpwood markets are strong. Only funded stand improvement is reported above.

Silvicultural Effectiveness Monitoring

Regeneration assessments were conducted on over 4,500 hectares to ensure that regeneration treatments are progressing as planned. Results of 'Free to Grow' assessments, a requirement of the CFSA, are reported in the Management Unit Annual Report to MNRF in November each year and available to the public. Additionally, all selection management areas have received tree marking and audits to ensure appropriate results to predetermined standards. Regeneration assessments conducted represent 75% of planned surveys. Monitoring resources were shifted to ensure adequate tree marking was in place in advance of operations. Adjustments for target shortfalls are made by carrying forward into subsequent years, such as occurred last year.

The 2014/15 forest management program is illustrated below and is compared to annual FMP targets. The program is the fifth year of the approved 2010-2020 FMP.

The Authority is satisfied with its operational performance relative to annual harvest levels and forest management activities that responded to actual needs to renew the forest during this year of operation. Development and revision of targets to ensure achievement of FMP and CSA SFM targets are completed within the business planning, work planning and budgetary processes.



FINANCIAL RESULTS

Harvesting and the Statement of Operations

Operating revenues for the year were $21,968,179, which represents a decrease of $2,426,412 or 10.0 % compared to 2013.-2014. Sales of our contractor-produced forest products decreased by 14.2% during the year and slightly higher stumpage and selling prices were achieved resulting in only a 9.6% decrease in product sales dollars. Standing timber sales volumes decreased by 3.4% in 2014/15 but the substantial increase in higher quality products and their related stumpage resulted in revenue increases of about 62%.

"Other revenue" includes approximately $1,060,000 ($1,340,000 in 2013/14) of provincial road maintenance funding which was reimbursed to AFA for maintenance activities performed. Amounts then reimbursed by AFA directly to the forest industry as reduction to both product sales and standing timber sales amounted to approximately $304,000 ($573,000 in 2013/14). Other income also includes funding from the Ministry of Natural Resources and Forestry for public access road maintenance that amounted to about $300,000 ($300,000 in 2013/14).

Costs for contracted production, direct labour and stumpage were lower than the previous year as a result of the reduced sales volumes but increases in public access road maintenance and operations planning resulted in a decrease in operating income to $1,520,761 as compared to $2,730,914 in the previous year. Operations planning costs associated with our Environmental Management System, CSA certification and the FMP process were $294,770 as compared to $146,745 in the previous year.

Administration costs for the year were $1,774,386 which represents a decrease of $181,004 or 9.3% compared to 2013/14. The decrease is primarily related to decreased costs associated with Board activities, staff travel and training and the interest costs related to short-term financing coupled with some FMP Phase 2 salary costs being allocated to Operations Planning.

Forest Renewal Fund

The method of accounting for Crown Stumpage reflects the requirements of the Crown Forest Sustainability Act. The forest renewal portion of the Crown Stumpage Matrix is retained by the Authority, in trust for the Crown, and is to be used to fund eligible forest renewal work on a cost recovery basis. The forest renewal revenue of $1,513,839 ($1,583,053 in 2013/14) represents amounts actually charged by the Ministry to customers during the year for renewal fund purposes. Overall lower sales volumes attributed to the reduced forest renewal revenues for 2014/15.

Other forest renewal fund revenues provided on a cost recovery basis, primarily from the Forestry Futures Trust Fund, added $256,945 to forest renewal fund revenues.

Actual allowable forest renewal expenditures incurred during the year amounted to $1,768,172 as compared to $1,681,614 in 2013/14. This is the second consecutive year of a surplus $2,612 ($165, 010 in 2013/14) after eight consecutive years of losses.

Financial Position- Balance Sheet

The Statement of Financial Position disclosure reflects disclosure requirements affecting government not-for-profit organizations, such as the Authority, recommended by the Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. Funds received in advance of the planned expenditure are disclosed as "Deferred Contributions" and amounts once referred to, in a single disclosure component, as "Retained Income" have been disclosed as three separate components of 'Net Assets'. This disclosure clarifies the restricted/unrestricted nature of our net asset position.

At March 31, 2015 our cash was $643,489 lower than the prior year balance but we did not have the $1,000,000 demand loan in place that we had at March 31, 2014. Combined, our cash position was higher by $356,511 over 2013/14. Our receivables were lower than the March 31, 2014 balances by $1,403,793.

With solid demand for deliveries prior to our year-end there was a reduction in inventory levels resulting in a decrease in inventories of $154,492.

March 31 payables and accruals were lower by $596,564 compared to 2013/14 as a result of having available cash on hand to settle accounts on a timelier basis. Also included in the $1,296,157 balance is approximately $304,000 ($573,000 in 2013/14) of provincial road maintenance funding that was reimbursed to AFA for maintenance activities performed and then reimbursed by AFA directly to the forest industry in June 2015.

The Renewal Account balance of $2,667,622 ($2,665,010 in 2013/14) remains well above the minimum required balance of $1,500,000.

PUBLIC APPOINTMENTS – BOARD of DIRECTORS

	DATE OF APPOINTMENT	CURRENT TERM'S EXPIRATION
CHAIR:		
David Stewart Cobden, ON	February 18, 2009	March 21, 2017
VICE-CHAIR:		
David Lemkay Douglas, ON	September 12, 2012	September 11, 2018
William Atkinson Sundridge, ON	June 2, 2004	June 1, 2014
Sarah Bros North Bay, ON	February 1, 2013	January 31, 2018
William Dickinson Bracebridge, ON	November 10, 2005	December 13, 2014
Charles Lauer Peterborough,ON	January 5, 2015	January 4, 2018
Karen LeClerc Laurentian Hills, ON	November 10, 2005	December 13, 2017
Don McCormick Huntsville, ON	June 2, 2004	June 1, 2014
Terrence Mullin Killaloe, ON	November 10, 2005	December 13, 2014
John Pineau Mattawa, ON	January 28, 2015	January 27, 2018
David Sharpe Toronto, ON	May 17, 2011	May 16, 2014

OFFICERS:

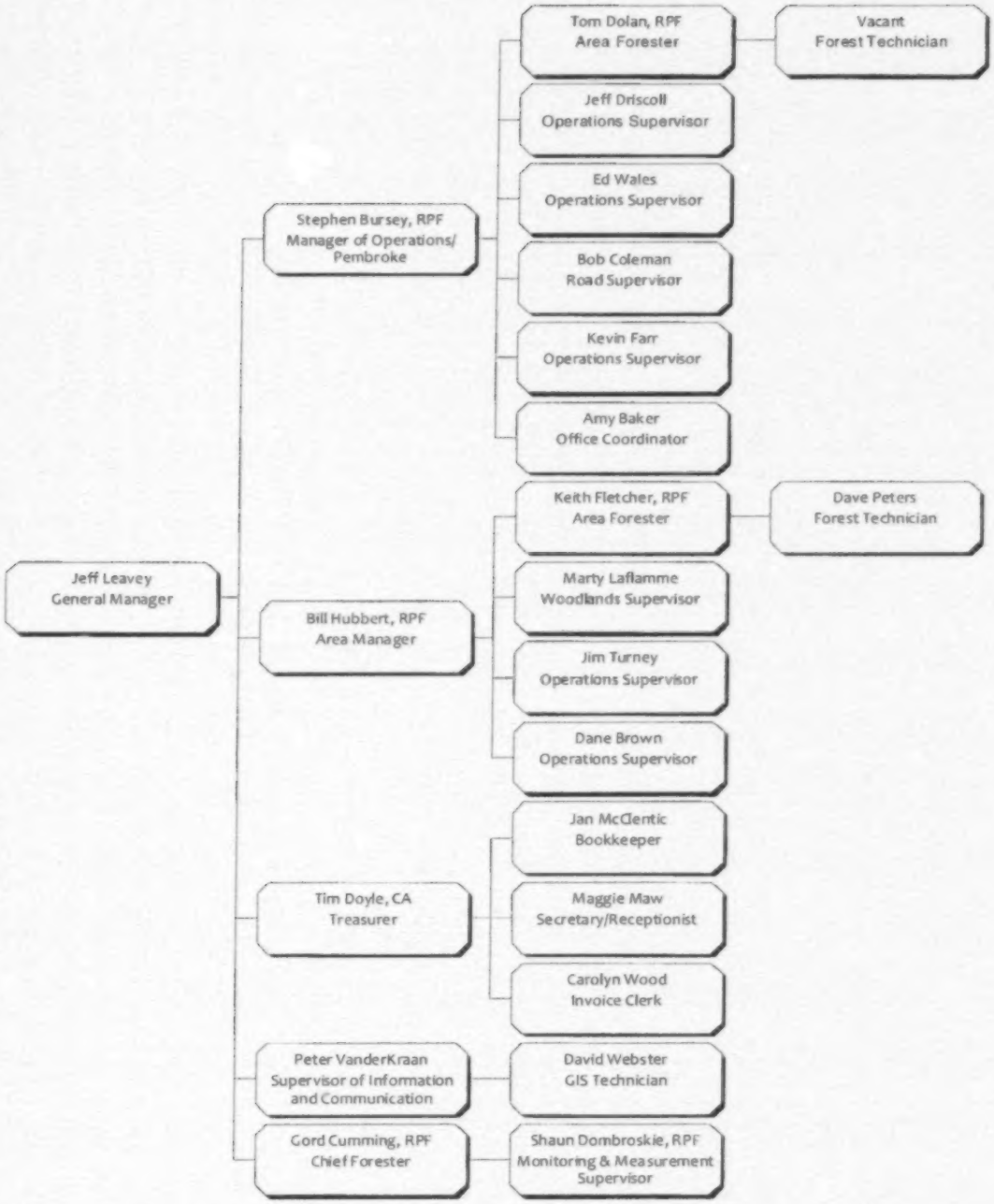
Jeffrey W. Leavey
General Manager

Timothy K. Doyle, CPA, CA
Secretary-Treasurer

GENERAL MEETINGS:

May 30-31, 2014
North Bay, ON
October 29, 2014
Teleconference
February 6-7, 2015
Sundridge, ON
July 25, 2014
Algonquin Park, ON
November 12-13, 2014
Pembroke, ON
March 30-31, 2015
Toronto, ON
September 12-13, 2014
Pembroke, ON
December 5-6, 2014
Toronto, ON

ORGANIZATION CHART



Financial Statements of

ALGONQUIN FORESTRY AUTHORITY

Year ended March 31, 2015

Algonquin Forestry Authority
Year ended March 31, 2015

Management's Responsibility for Financial Information

Management and the Board of Directors of the Algonquin Forestry Authority are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and, where appropriate, include amounts based on Management's best estimates and judgements.

The Algonquin Forestry Authority is dedicated to the highest standards of integrity in its business. To safeguard the Authority's assets, the Authority has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the *Algonquin Forestry Authority Act.*

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets regularly to oversee the financial activities of the Authority and at least annually to review the financial statements and the external auditors' report thereon, and recommends them to the Minister of Natural Resources and Forestry for approval.

The financial statements have been examined by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

Tim Doyle, CPA, CA
Treasurer

Jeff W. Leavey
General Manager

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Members, Algonquin Forestry Authority
and to the Minister of Natural Resources and Forestry

I have audited the accompanying financial statements of the Algonquin Forestry Authority, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Algonquin Forestry Authority as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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www.auditor.on.ca

Toronto, Ontario
June 25, 2015

Susan Klein, CPA, CA, LPA
Assistant Auditor General

ALGONQUIN FORESTRY AUTHORITY

Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	$ 388,853	$ 1,032,342
Accounts receivable (note 2)	8,947,474	10,351,267
Inventories held for sale	170,446	324,938
Prepaid expenses	1,962	1,962
	9,508,735	11,710,509
Capital assets (note 3)	289,022	304,263
	$ 9,797,757	$ 12,014,772
Liabilities and Net Assets		
Current liabilities:		
Demand line of credit (note 13)	$ -	$ 1,000,000
Accounts payable and accrued liabilities	1,296,157	1,892,721
Contractors' performance holdbacks	66,301	94,609
Due to Consolidated Revenue Fund (note 14)	204,086	374,519
Deferred contributions (note 4)	-	146,069
	1,566,544	3,507,918
Obligation for employee future benefits (note 5)	419,508	398,779
Deferred capital contributions (note 6)	17,280	60,025
	2,003,332	3,966,722
Net assets:		
Restricted - Forest Renewal Fund (notes 7 and 9)	2,667,622	2,665,010
Invested in capital assets (note 8)	271,742	244,239
Unrestricted - General Fund	4,855,061	5,138,801
	7,794,425	8,048,050
	$ 9,797,757	$ 12,014,772

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

ALGONQUIN FORESTRY AUTHORITY

Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	General Fund	Forest Renewal Fund	2015 Total	2014 Total
Revenue:				
Product sales	$ 18,085,714	$ -	$ 18,085,714	$ 20,012,778
Forest renewal activity	-	1,513,839	1,513,839	1,583,053
Standing timber sales	301,731	-	301,731	186,238
Other (note 10)	1,809,950	256,945	2,066,895	2,612,522
	20,197,395	1,770,784	21,968,179	24,394,591
Expenses:				
Direct program costs	15,588,855	1,482,884	17,071,739	18,598,875
Crown timber stumpage charges	2,433,197	-	2,433,197	2,451,932
Public access road maintenance	615,211	-	615,211	428,567
Operations planning	294,770	-	294,770	146,745
Wood measurement	32,501	-	32,501	37,558
	18,964,534	1,482,884	20,447,418	21,663,677
Operating income	1,232,861	287,900	1,520,761	2,730,914
Administrative and other:				
Salaries and benefits	1,117,435	225,308	1,342,743	1,509,918
Amortization of capital assets	120,311	38,755	159,066	154,184
Office supplies and other	107,250	414	107,664	98,970
Office rent	43,531	12,135	55,666	55,360
Directors' allowances	39,376	-	39,376	53,560
Insurance	18,393	7,262	25,655	22,774
Staff travel and training	16,663	1,414	18,077	25,356
Public relations	14,784	-	14,784	22,006
Consulting, legal and miscellaneous	8,534	-	8,534	6,231
Interest and bank charges	2,821	-	2,821	7,031
	1,489,098	285,288	1,774,386	1,955,390
Excess (deficiency) of revenue over expenses before the undernoted	(256,237)	2,612	(253,625)	775,524
Workplace Safety and Insurance Board Appeals Tribunal settlement	-	-	-	308,876
Excess (deficiency) of revenue over expenses	$ (256,237)	$ 2,612	$ (253,625)	$ 1,084,400

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statements of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

2015	Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	Total
Balance, beginning of year	$ 244,239	$ 2,665,010	$ 5,138,801	$ 8,048,050
Excess (deficiency) of revenue over expenses (note 8)	(116,322)	2,612	(139,915)	(253,625)
Invested in capital assets (note 8)	143,825	-	(143,825)	-
Balance, end of year	$ 271,742	$ 2,667,622	$ 4,855,061	$ 7,794,425

2014	Invested in Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	Total
Balance, beginning of year	$ 218,867	$ 2,500,000	$ 4,244,783	$ 6,963,650
Excess (deficiency) of revenue over expenses (note 8)	(98,618)	165,010	1,018,008	1,084,400
Invested in capital assets (note 8)	123,990	-	(123,990)	-
Balance, end of year	$ 244,239	$ 2,665,010	$ 5,138,801	$ 8,048,050

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	$ (253,625)	$ 1,084,400
Adjustments for:		
Amortization of capital assets	159,066	154,184
Amortization of deferred capital contributions	(42,745)	(55,566)
Gain on sale of capital assets	(3,417)	(14,763)
Obligation for employee future benefits	20,729	(37,577)
	(119,992)	1,130,678
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	1,403,793	(2,807,772)
Decrease in inventories held for sale	154,492	51,292
(Decrease) increase in accounts payable and accrued liabilities	(596,564)	355,093
(Decrease) increase in contractors' performance holdbacks	(28,308)	18,678
Decrease in due to Consolidated Revenue Fund	(170,433)	(1,448)
Decrease in deferred contributions	(146,069)	(128,567)
	496,919	(1,382,046)
Cash flows from financing activities:		
Increase (decrease) in demand line of credit	(1,000,000)	1,000,000
Cash flows from capital activities:		
Acquisition of capital assets	(143,825)	(123,989)
Proceeds from sale of capital assets	3,417	14,763
	(140,408)	(109,226)
Decrease in cash	(643,489)	(491,272)
Cash, beginning of year	1,032,342	1,523,614
Cash, end of year	$ 388,853	$ 1,032,342

See accompanying notes to financial statements.

Algonquin Forestry Authority (the "Authority") is a Crown Agency which was established by the Ontario Government on January 4, 1975 under the Algonquin Forestry Authority Act, 1974. The Authority is responsible for forest management in Algonquin Provincial Park and operates on a not-for-profit basis. The Authority is exempt from income taxes under the Income Tax Act.

1. Significant accounting policies:

(a) Basis of accounting:

The Authority's financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

(b) Fund accounting:

The General Fund accounts for the Authority's revenue generating and administrative activities. The Forest Renewal Fund accounts for the forest management activities, including silvicultural work.

(c) Revenue recognition:

Revenue from product sales and forest renewal charges are recognized when the wood is delivered, and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

The Authority accounts for contributions, which include government grants, under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Grants relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis and at rates corresponding to those of the related capital assets.

Other income is recognized when earned.

1. Significant accounting policies:(continued)

(d) Inventories held for sale:

Inventories held for sale, which consist of harvested wood not yet delivered to customers, are measured at the lower of cost and net realizable value with cost being determined on the first-in, first-out basis. Cost includes all acquisition costs incurred in bringing inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(e) Capital assets:

Capital assets are stated at cost. Amortization is provided on the straight-line basis using the following annual rates:

Asset	Rate
Automotive equipment	25%
Portable steel structures	20%
Technical equipment	10%
Leasehold improvements	10%

The cost of bridges and access roads is amortized over the estimated number of operating seasons for which the bridges and roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets are amortized on the same basis and at the same rates as the assets mentioned above.

(f) Financial instruments:

The Authority's financial assets and financial liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Accounts receivable are recorded at amortized cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the Statement of Operations.
- Accounts payable and accrued liabilities, Contractors' performance holdbacks and Due to Consolidated Revenue Fund are recorded at cost.

The Authority does not use derivative financial instruments.

1. Significant accounting policies:(continued)

(g) Employee future benefits:

The Authority provides termination benefits to qualifying employees. The Authority accrues its obligations under this benefit plan as the employees render the services necessary to earn the benefit.

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Authority has insufficient information to apply defined benefit plan accounting.

(h) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include determination of the allowance for doubtful accounts receivable. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

2. Accounts receivable:

	2015	2014
Trade	$ 7,301,588	$ 8,783,870
Other	1,683,800	1,605,311
	8,985,388	10,389,181
Less allowance for doubtful accounts	(37,914)	(37,914)
	$ 8,947,474	$ 10,351,267

3. Capital assets:

2015	Cost	Accumulated amortization	Net book value
Bridges and access roads	$ 5,346,800	$ 5,346,800	$ -
Portable steel structures	681,278	606,977	74,301
Forest renewal assets	455,226	355,053	100,173
Automotive equipment	449,049	345,626	103,423
Technical equipment	199,564	192,774	6,790
Data processing equipment	149,267	149,267	-
Furniture and fixtures	83,358	83,358	-
Leasehold improvements	44,803	44,695	108
Trailers	18,386	14,159	4,227
	$ 7,427,731	$ 7,138,709	$ 289,022

2014	Cost	Accumulated amortization	Net book value
Bridges and access roads	$ 5,346,800	$ 5,346,800	$ -
Portable steel structures	681,278	558,890	122,388
Forest renewal assets	367,174	322,603	44,571
Automotive equipment	418,316	290,047	128,269
Technical equipment	199,564	191,071	8,493
Data processing equipment	149,267	149,267	-
Furniture and fixtures	83,358	83,358	-
Leasehold improvements	44,803	44,261	542
Trailers	13,690	13,690	-
	$ 7,304,250	$ 6,999,987	$ 304,263

4. Deferred contributions:

Deferred contributions represent unspent resources received from the Ministry of Natural Resources and Forestry in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	2015	2014
Public access road maintenance:		
Balance, beginning of year	$ 146,069	$ 274,636
Add: contributions received in the year	300,000	300,000
Less: amount spent in the year	(615,211)	(428,567)
Amounts not reimbursed by the Ministry of Natural Resources and Forestry	169,142	-
Balance, end of year	$ -	$ 146,069

5. Employee future benefits:

(a) Multi-employer pension plan:

The Authority's full-time employees participate in the Public Service Pension Fund ("PSPF") which is a defined benefit pension plan for certain employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Authority's annual payments to the PSPF. As the sponsor is responsible for ensuring that the pension fund is financially viable, any surpluses or unfunded liabilities arising from the statutory actuarial funding valuations are not assets or obligations of the Authority. The Authority's annual payments of $108,932 (2014 - $115,986) are included in salaries and benefits in the Statement of Operations.

(b) Termination benefits:

The Authority provides termination benefits to qualifying employees. All full-time employees qualify for a severance payment equal to one week of salary for each year of continuous service with the Authority, to a maximum of one-half of the employees' annual salary. The total obligation for vested severance payments amounts to $419,708 (2014 - $398,779) at year end.

(c) Non-pension post-retirement benefits:

The cost of other non-pension post-retirement benefits is the responsibility of the Province of Ontario, a related party, and accordingly is not accrued or included in the Statement of Operations.

6. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as other revenue in the statement of operations.

		2015		2014
Balance, beginning of year	$	60,025	$	115,591
Less amounts amortized to revenue		(42,745)		(55,566)
Balance, end of year	$	17,280	$	60,025

7. Forest renewal fund:

Effective September 6, 2012, the Authority renewed its agreement with the Ministry of Natural Resources and Forestry, a related party, to perform forest management activities, including silvicultural work. Funding, on a cost recovery basis, for these activities is derived from stumpage charges levied under the Crown Forest Sustainability Act and grants from the Forestry Futures Fund. The term of the agreement commenced April 1, 2007 and expires March 31, 2027.

The agreement also requires the Authority to maintain a minimum balance of $1,500,000 in the Forest Renewal Fund.

8. Invested in capital assets:

(a) Investment in capital assets is calculated as follows:

		2015		2014
Capital assets		289,022		304,263
Amounts financed by:				
Deferred capital contributions		(17,280)		(60,025)
	$	271,742	$	244,239

8. Invested in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

	2015	2014
Deficiency of revenues over expenses:		
Amortization of deferred contributions related to capital assets	$ 42,745	$ 55,566
Amortization of capital assets	(159,067)	(154,184)
	$ (116,322)	$ (98,618)
Net change in investment in capital assets:		
Purchase of capital assets	$ 143,825	$ 123,990
Amounts funded by:		
Deferred capital contributions	-	-
	$ 143,825	$ 123,990

9. Interfund transfer:

The Board of Directors has approved, by resolution, that any loss incurred in the Forest Renewal Fund resulting from forest renewal activity expenses exceeding revenue, net of related capital asset amortization, during the year which cannot be funded by the Forest Renewal Fund without causing the Forest Renewal Fund balance to fall below $2,500,000 shall be funded by the General Fund. No amount has been transferred during the year (2014 - $Nil).

10. Road maintenance funding:

Included in General Fund Other Revenue is revenue of $1.06 million (2014 - $1.34 million) received by the Authority pursuant to an agreement with the Ontario Ministry of Natural Resources and Forestry. The purpose of the agreement is to provide the Authority with reimbursement of road construction and maintenance costs on eligible primary and secondary forest access roads where access to those roads is not limited to the forest industry. A portion of the Ministry funding was passed on to the Authority's customers through a rebate allocated on the basis of sales volumes. In fiscal year 2015, $304,000 (2014 - $572,900) was passed on to the Authority's customers and is netted in product sales in the statement of operations.

11. Remuneration of appointments:

Total remuneration of the Board members of the Authority was approximately $17,900 during the fiscal year (2014 - $23,800).

12. Financial risks and concentration of credit risk:

(a) Liquidity risks:

Liquidity risk is the risk that the Authority will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Authority manages its liquidity risk by monitoring its operating requirements. The Authority prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations. There has been no change to the risk exposures from 2014.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Authority is exposed to credit risk with respect to the accounts receivable. The Authority assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

13. Demand line of credit:

As part of its financial arrangements, the Authority has negotiated a line of credit in the amount of $1,500,000 with its banker. The line of credit is unsecured, due on demand and bears interest at the bank's prime rate minus .50%. As at March 31, 2015, no amount was outstanding under this facility (2014 - $1,000,000).

14. Due to Consolidated Revenue Fund:

Due to Consolidated Revenue Fund represents amounts owed by the Authority for Crown Stumpage charges incurred in the normal course of operations. Year-end balances are normally settled in full in the first quarter of the following year.

15. Adoption of new accounting policy:

The Authority adopted Public Sector Accounting Board Standard PS 3260 Liability for Contaminated Sites effective April 1, 2014. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. The Authority adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

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